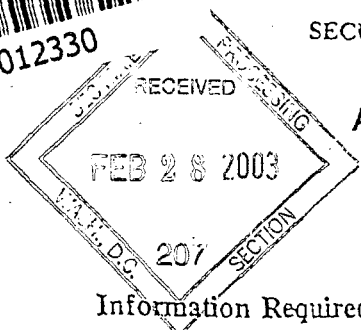




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OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2001
Estimated average burden hours per response:	12.00



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER
8- 21070

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01-01-02 AND ENDING 12-31-02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Gill & Company, L.P.

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

235 Montgomery Street, Suite 620

(No. and Street)

San Francisco

California

94104

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Ms. Margaret Warton

(415) 394-7800

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Schultz & Chez, LLP

(Name - if individual, state last, first, middle name)

141 W. Jackson Blvd., Suite 2900

Chicago, IL 60604

(Address)

(City)

(State)

Zip Code

CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 13 2003

THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

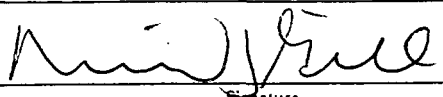
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

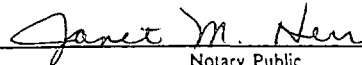
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OATH OR AFFIRMATION

I, Michael J. Gill, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Gill & Company, LP, as of December 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

OFFICIAL SEAL
Janet M. Herr
Notary Public, State of Illinois
My Commission Expires June 25, 2003


Signature
Managing Partner
Title


Notary Public

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital. ☐ SAME PAGE
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3. ☐ SAME PAGE
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation. - SEE ABOVE
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE

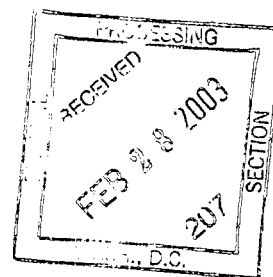
**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

A REPORT CONTAINING A STATEMENT OF FINANCIAL CONDITION HAS BEEN INCLUDED;
ACCORDINGLY, IT IS REQUESTED THAT THIS REPORT BE GIVEN CONFIDENTIAL TREATMENT.

GILL & COMPANY, L.P.
STATEMENT OF FINANCIAL CONDITION

(Consolidated)

DECEMBER 31, 2002



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SCHULTZ & CHEZ, L.L.P.

Certified Public Accountants

141 West Jackson Boulevard, Suite 2900
Chicago, Illinois 60604
Main: (312) 332-1912
Fax: (312) 332-3635

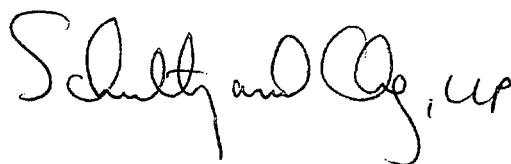
INDEPENDENT AUDITOR'S REPORT

To the Partners of
GILL & COMPANY, L.P.
Chicago, Illinois

We have audited the accompanying consolidated statement of financial condition of GILL & COMPANY, L.P. as of December 31, 2002. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statement referred to above presents fairly, in all material respects, the financial position of GILL & COMPANY, L.P. as of December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Schultz and Chez, LLP". The signature is written in a cursive, flowing style.

Chicago, Illinois
January 31, 2003

GILL & COMPANY, L.P.
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2002

ASSETS

Cash	\$ 810,697
Securities purchased under agreement to resell	6,800,000
Deposits with clearing organizations	505,000
Receivables from brokers, dealers and clearing organizations	139,880
Securities borrowed	185,600
Securities owned, at market	
Equities	22,457,274
Options	6,622,220
Equipment, net	129,138
Other assets	<u>250,093</u>
 TOTAL ASSETS	 \$ <u>37,899,902</u>

LIABILITIES AND PARTNERS' CAPITAL

Payables to brokers, dealers and clearing organizations	\$ 18,880,288
Securities sold, not yet purchased, at market	
Equities	1,602,824
Options	5,905,206
Payables to non customer	10,279
Accounts payable and accrued expenses	<u>680,399</u>
 Total liabilities, exclusive of liabilities subordinated to claims of general creditors	 27,078,996
 Liabilities subordinated to claims of general creditors	 -
 Minority interests	 271,538
 Partners' capital	 <u>10,549,368</u>
 TOTAL LIABILITIES AND PARTNERS' CAPITAL	 \$ <u>37,899,902</u>

The accompanying notes are an integral part
of this financial statement.

GILL & COMPANY, L.P.

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2002

(1) *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

GILL & COMPANY, L.P. and GILL TRADING, LLC (collectively the "Company") make markets in securities, engage in arbitrage involving derivative securities products, trade in options, financial and commodity futures, and clear transactions for non-customers.

GILL & COMPANY, L.P. is the majority owner of GILL TRADING, LLC. The consolidated financial statements include the accounts of GILL & COMPANY, L.P. and GILL TRADING, LLC. All significant intercompany balances and transactions have been eliminated.

Securities owned and securities sold, not yet purchased, held in firm trading and investment accounts, are carried at market value.

Securities transactions are recorded on the trade date and, accordingly, gains and losses are recorded on unsettled transactions.

Securities purchased under agreements to resell are entered into with a commercial bank. Such agreements are treated as financing transactions and are carried at the amount at which the securities will be resold, as specified in the respective agreements.

Futures transactions and resulting gains and losses are recorded on the trade date. Gains and losses on open futures contracts are reflected in income.

Equipment is recorded at cost and is depreciated over its estimated useful life using the straight-line method. At December 31, 2002, accumulated depreciation was \$565,302.

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities", requires companies to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. All derivative financial instruments held at year end are included in the Statement of Financial Condition at fair value and accordingly, the changes in fair value for the year are recognized in the Company's earnings.

The Company has not presented a Statement of Comprehensive Income because it does not have any items of "other comprehensive income".

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

No provision has been made for income taxes as the taxable income or loss of the Company is included in the respective income tax returns of the partners.

(2) *LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS*

The Company has a revolving subordinated loan agreement with the bank with a maximum amount of \$3,500,000. This loan agreement contains restrictive covenants, which among other provisions, specify minimum levels of net capital and net worth. At December 31, 2002 the Company was in compliance with these covenants. There was no outstanding balance at December 31, 2002. This loan agreement expires on June 2, 2003.

GILL & COMPANY, L.P.

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2002

(Continued)

(2) **LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS (Continued)**

The loan agreement has been approved by the Chicago Board Options Exchange and any borrowings thereunder are available in computing net capital under the Securities and Exchange Commission's ("SEC") Uniform Net Capital Rule (Rule 15c3-1). To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

(3) **DERIVATIVE FINANCIAL INSTRUMENTS HELD AND ISSUED FOR TRADING PURPOSES AND OTHER FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK**

In its normal course of business, the Company trades financial instruments involving off-balance-sheet market risk with securities broker/dealers and futures commission merchants. The gross notional (or contractual) amounts of derivative financial instruments represent the volume of these transactions and not the amounts potentially subject to market risk. In addition, measurement of market risk is meaningful only when all related and offsetting transactions are taken into consideration. Gross notional (or contractual) amounts of derivative financial instruments used for trading purposes with off-balance-sheet market risk are set forth below, as of December 31, 2002:

	(all amounts in millions)		
	Contract	Market	Average
	Value	Value	Contract Value
			During 2002
Financial futures contracts	\$ 38.2	\$ N/A	\$ 46.6
Equities sold, not yet purchased	\$ 1.6	\$ 1.6	\$ 5.8
Written options	\$ 88.5	\$ 5.9	\$ 76.7
Options held for trading	\$ 87.4	\$ 6.6	\$ 77.7

Market risk is the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other factors, such as liquidity, will result in losses for a specified position or portfolio. Financial instruments sold, but not yet purchased, entail an obligation to purchase the securities at a future date. The Company may incur a loss if the market value of the securities subsequently increases prior to the purchase of the security. Futures contracts are executed on an exchange, and cash settlement is made on a daily basis for market movements. The settlement of the aforementioned transactions is not expected to have a material adverse affect on the financial position of the Company.

As a market-maker and trader, the Company is in the business of managing market risk. In management's opinion, market risk is substantially diminished when all financial instruments, including equities owned, are aggregated.

Credit risk represents the loss that the Company would incur if a counterparty fails to perform its contractual obligation to the Company. All derivative financial instruments entered into by the Company are exchange-traded. For exchange traded contracts, the Company's clearing broker, through industry clearing organizations, acts as the counterparty of specific transactions and therefore, bears the risk of delivery to and from counterparties.

A substantial portion of the Company's trading gains originated from trading strategies involving derivative financial instruments.

GILL & COMPANY, L.P.

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2002

(Continued)

(4) **CONCENTRATIONS OF CREDIT RISK**

At December 31, 2002, a credit concentration with the clearing broker consisted of approximately \$2.1 million representing the market value of the Company's trading accounts carried by a clearing broker. The Company monitors the credit worthiness of the clearing broker to mitigate the Company's exposure to credit risk.

The Company maintains its cash balances at one financial institution. These balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2002, the Company's uninsured balances totaled \$610,697.

(5) **REGULATORY MATTERS**

The Company is subject to SEC Rule 15c3-1, which requires the maintenance of minimum net capital. The Company has elected to compute net capital using the alternative method, permitted by SEC Rule 15c3-1, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$250,000 or 2 percent of aggregate debit balances arising from customer transactions, as defined. At December 31, 2002, the Company had net capital and net capital requirements of approximately \$8,257,000 and \$250,000, respectively, and had no customer accounts, as defined by SEC Rule 15c3-3.

(6) **OPERATING LEASES**

The Company has entered into two office space lease commitments which expire through September 30, 2004. The future minimum rental payments are as follows:

<u>December 31,</u>	<u>Amount</u>
2003	\$ 69,587
2004	<u>31,184</u>
Total	\$ <u>100,771</u>

(7) **SUBSEQUENT EVENTS**

During the period from January 1, 2003 through January 31, 2003, partner capital withdrawals were made totaling \$38,250.